

## **Magrathea's response to Ofcom's consultation on Porting Charges under General Condition 18**

In our response to Ofcom's review of the fixed narrowband services market in 2013, we highlighted the disparity between the new fixed termination rates and the average porting conveyance charges. We therefore welcome Ofcom's intention to publish guidance on fair and reasonable charges for porting. We consider Average Porting Conveyance Charges ("APCCs") to be somewhat anachronistic and they are currently at levels which cannot logically be justified in relation to the relatively low fixed termination rates.

### **Section 4 Choice of cost standard**

**Question 1: Do you agree with our assessment of the choice of cost standard? If not, please explain why.**

Both conveyance and non-conveyance (such as per number set up and service maintenance) charges may be recovered under GC18. DCPs are not permitted to charge in relation to system set-up costs or additional conveyance costs. When BT's charges were last regulated (in 2002) they were set based on LRIC but with a 9.5% mark up for common costs, which essentially amounts to LRIC+.

We agree with Ofcom's view that a LRIC cost standard is most consistent with the principles of effective competition and cost minimisation

### **Section 5 Choice of technology**

**Question 2: Do you agree with our assessment of the choice of technology? If not, please explain why.**

Ofcom has considered two options in relation to technology choice:

- An own network technology approach: under this option each CP sets charges based on its own network; or
- A benchmark technology approach: a maximum charge for all CPs would be determined with reference to a hypothetical efficient operator.

Ofcom's 2013 NBMR Statement concluded that both NGN and TDM networks could be efficient, depending on the particular circumstances of the CP. Ofcom took the view that the forward looking costs of running a TDM network were low because the assets are heavily depreciated and unlikely to be replaced by new TDM equipment.

Similarly in the case of porting charges, Ofcom consider both TDM networks (on a forward looking cost basis reflecting the depreciated nature of the network assets) and NGNs could be efficient and that it would be reasonable for fixed CPs to charge for porting conveyance based on the costs of the technology and topology of their own network.

We note that current APCCs are likely to reflect historic or full TDM replacement costs, rather than depreciated forward-looking network costs and that therefore one would expect Ofcom's proposals to lead to a reduction in BT's APCCs. However, Magrathea is concerned that if BT is able to set APCCs on the basis of its TDM network costs, there is potential for the APCC to be comparatively higher than it should be, in relation to fixed termination rate costs and that, once again, NGN operators with fewer points of interconnect with BT could incur higher APCCs than other TDM operators with multiple POIs would. This would thus have a distorting effect on competition and penalise new entrant NGN operators.

If the APCCs which BT propose are, as they should be, a very small fraction of the FTR, then such difference in the rates charged to operators would be of only minor concern. However, if the proposed APCCs are material in relation to the FTR and the rates charged by BT to different operators varies materially, then this would be of great concern. Therefore we believe Ofcom should publish a benchmark figure for APCCs based on LRIC on a NGN.

## **Section 6 Recovery of porting costs**

**Question 3: Do you agree with our assessment of the recovery of porting costs? If not, please explain why.**

Ofcom has identified four charging rule options as to who should bear the porting costs:

- Option 1 - OCP pays;
- Option 2 - DCP pays;
- Option 3 - RCP pays; and
- Option 4 - a 50:50 charging rule splitting the DCP's costs equally between the DCP and the RCP.

It is, in our view, unfortunate that the UK maintains the "onward routing" method of number portability. If a central porting database were introduced which would enable the OCP to query the current provider and route the call directly, avoiding the need to transit the DCP, then this cost would not have, ultimately, to be borne by consumers. Magrathea has long argued for the introduction of a database for ported numbers and we believe that the benefits would outweigh the costs and that Ofcom should intervene in this regard.

If a database were available, then it would make sense for an OCP who declined to route the call correctly and directly to be required to bear the cost of the DCP handling the call.

However, in the absence of a porting database, we agree with Ofcom that we should maintain the status quo and that, largely from a cost causation point of view, the RCP should bear the costs.

## **Section 7 Assessment of the impact of our proposals**

**Question 4: Do you agree with our assessment of the likely impact of our proposals? If not, please explain why.**

We agree with Ofcom's assessment in principle, but the real impact will not be known until the level of the new industry-wide APCCs is known, once Ofcom's guidance comes into force.

**Magrathea Telecommunications Ltd**

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